

**STRATEGY FOR SUSTAINABLE DEVELOPMENT OF THE
PANAMA CANAL WATERSHED
(PANAMA CANAL AUTHORITY)**

(TC-98-06-48-3)

EXECUTIVE SUMMARY

Requester:	Government of Panama	
Executing agency:	Panama Canal Authority (PCA)	
Amount and source:	IDB (Japan Special Fund):	US\$1,000,000
	Local:	<u>US\$2,238,000</u>
	Total:	US\$3,238,000
Terms:	Implementation period:	18 months
	Disbursement period:	24 months
Objectives:	<p>The principal objective of the operation is to support the decision-making process pertaining to natural resources management in the Canal watershed, particularly in regard to the water projects included in the Canal expansion program, so that the program will include: (i) environmental practices that are acceptable according to international standards; (ii) a participatory approach that considers the opinions and interests of the residents of the watershed region; and (iii) economic criteria for studying environmental issues. The activities to be carried out will result in the formulation of a master plan for sustainable development of the watershed, and a formal framework for a more complete and balanced process of analysis and decision-making that will greatly benefit the PCA in the future.</p>	
Description:	<p>To achieve these objectives, a set of activities is planned for implementation in three components: (i) strengthening of management capacity; (ii) establishment of a comprehensive regional baseline; and (iii) analysis of scenarios and formulation of the master plan.</p> <p>The proposed technical-cooperation operation will finance consulting services and consultation and consensus-seeking workshops needed to help formulate the strategy for sustainable development of the Canal watershed. In light of the progress in transferring responsibility for water resources management to the PCA, the project will develop</p>	

intra-institutional capacity for defining a master plan for sustainable development of the watershed. The tasks and activities identified in each component will require: consulting services for an approximate total of 375 consultant-months; 30 consultation workshops at the watershed regional level and 10 national consensus-seeking workshops. The activities required to achieve these objectives are described in detail in Annex II, Terms of Reference.

Social and environmental review:

The operation will have a positive environmental and social impact, inasmuch as it is designed to support the country in making decisions on water projects for possible Canal expansion, based on internationally accepted environmental practices and using economic criteria to examine environmental and social issues. The environmental and social review of the Profile recommended that the evaluation of the different scenarios clearly include an alternative with no Canal expansion plans (see paragraphs 2.18 and 2.20). In addition, specific recommendations were given for the terms of reference (see Annex II) and were incorporated therein.

Benefits and beneficiaries:

The operation will yield significant benefits in terms of governance, by supporting an orderly, transparent and participatory decision-making process. Specifically, the operation will help to develop a multisectoral framework for managing a watershed that is strategically important to the national economy, by improving the PCA's environmental management capacity and interinstitutional coordination for sustainable management of the Canal watershed, through the Interinstitutional Commission on the Canal Watershed [Comisión de la Cuenca Hidrográfica del Canal] (CICH). The beneficiaries of the operation will be the Government of Panama; the PCA and other public institutions and agencies having environmental jurisdiction, activities and responsibilities in the watershed, such as the National Environmental Authority [Autoridad Nacional del Ambiente] (ANAM) and the Ministry of Agricultural Development (MIDA), among others; and the residents of the watershed.

Risks:

Two risks have been identified: (i) Given the size of the program, it will be necessary to build a national consensus on the management of natural resources in the watershed. Such a consensus should involve the PCA as well as other national institutions responsible for the watershed and its inhabitants. In order to mitigate this risk, the operation will provide means by which the PCA and the CICH can give Panamanians progress reports on the program in a transparent manner. In order to ensure continuity in this process, the PCA and CICH staffs will receive advisory support in the areas of conflict management and policy communication. In addition, the PCA is working actively with support from the United Nations Development Programme (UNDP) to hold a national dialogue in order to seek a

consensus with the general public, providing information and explaining the merits and significance of the program to the authorities. (ii) In view of the complexity of the decisions involved, it is likely that negative opinions on the expansion program will intensify in the rural communities of the watershed and that the process will become politicized. To mitigate this risk, the PCA is developing an information strategy with the communities and institutions, and the proposed technical cooperation will support the PCA so that the water project designs will take community viewpoints into account, by way of a participatory strategy.

**The Bank's
country/
regional and
sector strategy:**

The Bank's strategy is aimed at achieving more equitable, sustainable socioeconomic growth supported by a modern State. This strategy encompasses four objectives: (i) to expand the benefits of social policy, particularly toward vulnerable and/or disadvantaged groups; (ii) to foster sustainable development; (iii) to stimulate sustained economic growth; and (iv) to strengthen governance. The proposed operation is in line with the current strategy and is consistent with the Bank's new strategy, which was approved by its Programming Committee for 2001-2003. The new strategy focuses mainly on consolidating sustainable growth and is very much in line with the government's program, as it promotes better use of natural resources, would be a key element in defining the Canal expansion projects, and would foster sustainable development in the Canal watershed.

**Special
contractual
conditions:**

None.

**Exceptions to
Bank policy:**

None.